



# COMMISSION ON INSURANCE

## COUNTY OF LOS ANGELES

### MINUTES

Meeting of August 9, 2001  
830 Kenneth Hahn Hall of Administration

Scott J. Svonkin  
Chairperson

Daniel Falcon  
Vice-Chairperson

Barry R. Binder  
Michael G. Cheung  
Stephen Fluharty  
Rickey Ivie  
Don Lee  
Curren D. Price, Jr.  
Rose Reets  
Patricia Torres

**Commissioners Present:** Barry Binder, Daniel Falcon, Rickey Ivie, Jr., Rose Reets, and Scott Svonkin

**Commissioners Absent:** Michael Cheung, Stephen Fluharty, Don Lee, Curren D. Price, and Patricia Torres

Chairperson Svonkin noted the absence of a quorum and called the meeting to order as a Committee of the Whole at 10:06 a.m.

### APPROVAL OF MINUTES OF JUNE 28, 2001

This item was continued to the next meeting.

### DISCUSSION OF LEGISLATION – AB 937 (KORETZ) regarding Health Care Coverage and AB 1118 (CORBETT) relating to seismic activity

This item was continued to the next meeting.

### DISCUSSION OF REVISED DATE FOR PUBLIC HEARING

Following discussion and pending Board of Supervisors' approval, the date of the public hearing regarding Northridge earthquake claims was rescheduled for October 15, 2001.

### PRESENTATIONS AND DISCUSSION REGARDING THE ADMINISTRATION OF HOLDING A PUBLIC HEARING ON EARTHQUAKE INSURANCE PROBLEM, NOTIFYING THE PUBLIC OF THE DEADLINE TO SUBMIT CLAIMS FOR THE NORTHRIDGE EARTHQUAKE, THE ISSUES RESULTING FROM THE NORTHRIDGE EARTHQUAKE AND HOW/WHAT IS BEING DONE TO PREPARE FOR FUTURE DISASTERS

Chairperson Svonkin asked staff to hand out a copy of the ordinance that established the Commission and he stated that the Commission's goal for the public hearing is to inform the public of their rights, responsibilities and the opportunities they have to resolve matters that have not been resolved to their satisfaction. He then asked the Vice Chairperson and Commissioners to introduce themselves and briefly give their background.

### **GOVERNOR'S OFFICE OF EMERGENCY SERVICES (OES)**

Leo Pardo, Gladstone O'Rane and Clyde Muraoka work in the Public Assistance Division at the Pasadena Office. EOS assists FEMA with damage reports, monitors projects and ensures that funds are disbursed for all disasters (without duplication) affecting the Southern California area. Mr. Pardo recommended D. A. Christian to act as spokesperson in the address damage assistance, public assistance officer for the EOS office in Pasadena. OES has 89 open public claims in Southern California resulting from the Northridge earthquake. Denita Caulkins works with the Individual Assistance Division at the Pasadena. Individual Assistance deals with homeowners and businesses. Her division works with local government to identify facilities where assistance programs can be presented to the public. To provide all forms of government (city, county, state and federal) program representation in these facilities where people can come in and obtain assistance. Individuals file an application with FEMA (800) hotline number after settling insurance issues in order to minimize duplication of benefits. There is a need for a timely response from insurance companies. After which, eligibility can be determined for loans from the small business administration, individual family grant programs, etc. Individuals have been having problems with insurance companies to get timely settlements. Chairperson Svonkin asked Ms. Caulkins the number of instances where the department intervened on behalf of consumers and she stated that they are coordinators of services and they do not have a complaint system. They refer individuals with issues to the appropriate agency. Vice Chairperson Falcon asked who could address issues with regard to the Individual Family Grant program. The response was the Department of Social Services.

### **FEDERAL EMERGENCY MANAGEMENT AGENCY**

Josie Arcurio, Individual Assistance Officer (at the time of the Northridge earthquake) introduced herself and Laurie Sanchez, Congressional Officer. She then spoke of FEMA role immediately following the Northridge earthquake including a federal declaration and implementing the federal response plan. FEMA was given instructions 'to get people housed, to get lives saved and to worry about the safety and the threat to safety to individuals, business owners and government. Registration was opened up immediately following the earthquake and was opened for a year and a half following the earthquake. One hundred and fifty applications were opened following the earthquake. Fast track housing assistance allowed for the formulation of a shaking intensity scale and individuals in zip codes with scores of eight or higher automatically were given grants. When FEMA went back to evaluate the program the agency found that in a three-week period they were able to help over 47,000 people and when the agency inspected those homes ninety-one percent were eligible to receive the grants. The normal application process is sixty days and they extended it for a year. Condominium owners were provided with two forms of assistance when it became evident that they were having problems with insurance companies. Federal assistance is usually seventy-five percent of the funding and twenty-five comes from the state but for the Northridge earthquake, the funding was ninety percent Federal and ten percent state. FEMA individual assistance and public assistance appeals have

sixty days to appeal in writing but for the first three years FEMA was very lax with regard to the policy, however, now all individual assistance cases are closed, some public assistance cases are still open.

Chairperson Svonkin asked representatives to prepare a PowerPoint presentation with the details they provided Commissioners for the public hearing. Both FEMA and OES have website that have information with disaster preparation, mitigation for future disasters and what to do if you are a victim. Commissioner Binder asked if FEMA was able and should the agency be supplementing the cost of covering the damages that the insurance companies do not today? Ms. Arcurio stated that this would be examined depending upon the magnitude of the disaster.

### **COMMUNITY ASSISTING RECOVERY (CARE)**

Sarah Bacon, attending on behalf of George Kehrer, explained that CARE is a nonprofit volunteer group that came into being as a result of the Northridge earthquake. Currently, CARE still holds classes every Wednesday night in Canoga Park. They hold workshops on how to find a good contractor, how to check the contractor's license, is the contractor bonded, do you need a structural engineer, do you need a soils engineer, etc. This organization is very much in support of a public hearing. People are not aware that they can reopen their cases. If damages are not repaired, then it is weak and a 'crisis' underneath (waiting) for the next disaster. She found eighteen structural cracks under her house after her insurance company checked her home and said that it was fine and she is concerned about other individuals who may not be aware that they have this type of damage.

### **CALIFORNIA DEPARTMENT OF INSURANCE (CDOI)**

Deputy Commissioner Keith Newman introduced Jerry Whitfield, Assistant Chief Counsel, Compliance Bureau and Joel Laucher, Chief, Consumer Services. He then told Commissioners about the (800) 927-HELP hotline that the Consumer Communications bureau of CDol and that its staffed by professionals with eight to forty years of experience in the insurance industry. There are twenty-two lines throughout the state to answer inquiries, assist the consumer in possible mediation and handle written requests for assistance. The CDol received over 400,000 calls per year and most issues are resolved without a written complaint

Mr. Laucher discussed the over 3,000 complaints that they received and the resulting additional \$70 million recovered. The CDol received an additional 47 complaints as a result of SB1899 (Burton) but the Department does not know how many claims have been reopened with insurers as a result of this legislation. When consumers require mediation, they send their documentation to the CDol and the CDol then mediates a settlement where appropriate. The CDol is also identifies violations of the insurance code and looks for trends in violations. The CDol performs market conduct exams. In the case of Northridge this resulted in additional \$15 to \$20 million. The CDol also refers case to a formal mediation process if they are unable to mediate the claim.

Mr. Whitfield discussed SB1899 (Burton), adopted as CC340.9, and he stated that filing a claim

does not protect the consumer. He strongly urged consumers to file a lawsuit if their claim will not be settled by then end of this year. Commissioners expressed concern over the need for consumers to file lawsuits in order to protect their rights. A delayed discovery suit is in the California Supreme Court right now and this may provide parameters with regard to many of the issues being raised.

### **CALIFORNIA FAIR PLAN ASSOCIATION (FAIR PLAN)**

Michael Harris, Vice President introduced himself and explained the FAIR Plan is a private syndicated association of companies licensed to buy property insurance in California and was established for those who had trouble getting insurance in the normal market. FAIR Plan had approximately 3,700 claims resulting from the Northridge earthquake and paid out \$168 million dollars. As a result of SB1899 (Burton), the agency has received twenty-eight new claims and eleven of those have since been closed. Preceding the Northridge earthquake, FAIR Plan wrote approximately 1.2 percent of the earthquake claims, after Northridge the agency wrote approximately 23 percent of the claims and currently they write approximately 5 percent of the claims. This is a result of other companies coming back into the marketplace to provide insurance. The FAIR Plan offers high-risk insurance (providing insurance when other companies will not).

### **CALIFORNIA EARTHQUAKE AUTHORITY (CEA)**

Stan Deveraux, Public Affairs and Mark Leonard introduced themselves and Mr. Deveraux explained that the CEA is a publicly managed, privately funded entity that provides basic earthquake insurance to California residents. The governing board is made up of the Governor of the State of California, the Treasurer of the State of California, the CDoI Commissioner and the two nonvoting members (the Speaker of the Assembly and Senate Rules Committee Chairman). A number of insurance companies voluntarily participate in the CEA. The CEA provides this type of insurance for two-thirds of California earthquake insurance policyholders (approximately seventeen percent of the market holds this time of insurance). Chairperson Svonkin asked the representative to address the issues of how the basic policy works and when should consumers purchase insurance through the CEA. The CEA is seamless and consumers never have to deal directly with the CEA. The representative of CEA stated that the agency would be able to meet the needs of consumers if there were another disaster today.

### **ALLSTATE, FARMERS INSURANCE, STATE FARM INSURANCE, 21<sup>ST</sup> CENTURY INSURANCE**

Rick Hill, 21<sup>st</sup> Century Insurance, Robert Deveraux, State Farm Insurance and James Robie, State Farm Insurance were introduced. Chairperson Svonkin noted for Commissioners that All State Insurance wrote the Commission a letter refusing to participate in this process. Rick Hill stated that claims were denied solely on the basis of time limitation, settlements were made that did not have an attorney and this law applies to claims where the claim was made prior to January 1, 2001. He stated that 21<sup>st</sup> Century had approximately 47,000 claims that came out of the Northridge earthquake, totaling about \$1.2 million and that ninety-four percent of these

claims were settled within the first year. Approximately 1000 claims were revived as a result of SB1899.

Mr. Robie stated that State Farm had approximately 110,000 claims filed and paid out \$3.5 billion as a result of the Northridge earthquake. Chairperson Svonkin asked how many claims were still unresolved and if they were prepared to deal with new and reopened claims.

### **DISCUSSION OF MOTIONS/ACTIONS THE COMMISSION PLANS AS A RESULT OF THE HEARING**

To be determined pending the hearing.

### **MATTERS NOT ON POSTED AGENDA (To be placed on the agenda for discussion at a future meeting)**

None

### **PUBLIC COMMENTS**

Dale Washington stated that he was attorney who represented Linda Aylas. He expressed concerns regarding the representation of minorities and the insurance companies notifying their policyholders of this legislation.

### **ADJOURNMENT**

The meeting was adjourned at 12:07 p.m.

### **ATTENDANCE** **Staff**

Martha Littlefield	Executive Office, Board of Supervisors
Nyla Barnes	Executive Office, Board of Supervisors

### **Guests**

Josie Arkuro	Federal Emergency Management Agency
Sarah Bacon	Community Assisting Recovery (CARE)
Denita Caulkins	Governor's Office of Emergency Services
Stan Deveraux	California Earthquake Authority
Robert Deveraux	State Farm Insurance
Mike Harris	California FAIR Plan Association
Rick Hill	21 <sup>st</sup> Century Insurance
Connie Hudson	Governor's Office of Emergency Services
Joel Laucher	California Department of Insurance
Mark Leonard	California Earthquake Authority

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Clyde Muraoka	Federal Emergency Management Agency
N. Keith Newman	California Department of Insurance
Gladstone O'Rane	Federal Emergency Management Agency
Leo Pardo	Federal Emergency Management Agency
James Robie	State Farm Insurance
Laurie Sanchez	Federal Emergency Management Agency
Dean Stark	21 <sup>st</sup> Century Insurance
Dale Washington	Attorney
Jerry Whitfield	California Department of Insurance
Larry Boyd	California Department of Insurance
Robert Duncan	California Department of Insurance
Candysse Miller	Insurance Information Network of California
Alisa Katz	Los Angeles County, 3 <sup>rd</sup> District
Bob Haueter	Los Angeles County, 5 <sup>th</sup> District